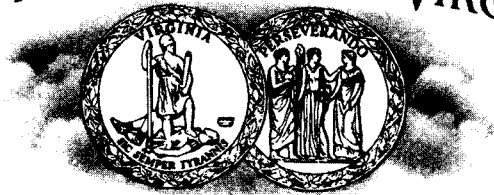


EXAMINATION REPORT
of
VIRGINIA PREMIER HEALTH PLAN, INC.
Richmond, Virginia
as of
December 31, 2007

COMMONWEALTH OF VIRGINIA

ALFRED W. GROSS
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
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<http://www.scc.virginia.gov/division/boi>

I, Alfred W. Gross, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Virginia Premier Health Plan, Inc. as of December 31, 2007, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 8th day of May, 2009

Alfred W. Gross
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
January 15, 2009

Honorable Alfred W. Gross
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by the authority of Section 38.2-4315 of the Code of Virginia, an examination of the records and affairs of

VIRGINIA PREMIER HEALTH PLAN, INC.

Richmond, Virginia

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

DESCRIPTION

The Corporation became licensed in Virginia as a health maintenance organization ("HMO") pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on August 2, 1995. The Corporation was last examined by representatives from the State Corporation Commission's (the "Commission") Bureau of Insurance (the "Bureau") as of December 31, 2004. This examination covers the period from January 1, 2005 through December 31, 2007.

HISTORY

The Corporation was incorporated in the Commonwealth of Virginia on January 31, 1994. The Corporation was organized as a wholly-owned subsidiary of PHP Healthcare Corporation ("PHP"). On January 31, 1996, PHP sold a 30% interest in the Corporation to University Health Services Managed Care, Inc. ("UHS"), an affiliate of the Virginia Commonwealth University Health System Authority ("VCU Health System"), formerly Medical College of Virginia Hospitals Authority. On December 22, 1998, UHS purchased PHP's remaining shares in the Corporation and UHS became the 100% owner of the Corporation.

On December 15, 2000, the Corporation changed its name from Virginia Chartered Health Plan, Inc. to Virginia Premier Health Plan, Inc. The change was a result of the agreement made when UHS purchased the Corporation from PHP.

CAPITAL AND SURPLUS

At December 31, 2007, the Corporation's capital and surplus, as restated by the Examiners subsequent to the examination, was \$39,740,997. According to the Certificate of Incorporation, the Corporation has the authority to issue 25,000 shares of common stock and 100,000 shares of preferred stock, each with a par value of \$1 per share. At December 31, 2007, 8,640 shares of common stock and 1,360 shares of preferred stock were issued and outstanding, with gross paid in and contributed surplus of \$9,261,977 and unassigned funds (surplus) of \$30,469,020.

On June 12, 1996, PHP issued a subordinated note to the Corporation in the amount of \$2,000,000. Interest on the subordinated note is stated at prime plus three percent. On September 29, 1997, the Bureau granted approval for the Corporation to repay a total of \$450,000 of principal and interest on the subordinated note. As part of the purchase of PHP's remaining interest in the Corporation, the subordinated note was transferred to and is payable to UHS. On December 23, 1998, UHS issued an additional subordinated note to the Corporation in the amount of \$2,500,000. Interest on this subordinated note is stated at prime plus three percent.

On May 13, 1999 and December 20, 2001, UHS issued subordinated notes to the Corporation in the amount of \$500,000 and \$1,500,000, respectively. Interest on these subordinated notes is stated at prime plus three percent. On December 15, 2004, the Bureau granted approval for the Corporation to repay \$2,000,000 in principal on the outstanding subordinated notes. On August 25, 2005, the Bureau granted approval for the Corporation to repay \$3,000,000 in principal and on June 29, 2006 the Bureau granted approval for the Corporation to repay \$1,335,407 in principal and \$1,664,593 in accrued interest on the outstanding subordinated debt. On December 27, 2006, the Bureau granted approval for the Corporation to repay \$1,973,138 in accrued interest on the outstanding subordinated debt. These payments satisfied the balance of all outstanding subordinated debt owed by the Corporation to UHS.

NET WORTH REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that a HMO licensed in Virginia shall maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-210-60 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30 or September 30. Because the sum of the Corporation's uncovered expenses for the three-month period ending December 31, 2007 was \$13,097,054, the Corporation's minimum net worth requirement at December 31, 2007 was \$4,000,000.

MANAGEMENT AND CONTROL

The bylaws of the Corporation provide that the Board of Directors shall be responsible for the business and affairs of the Corporation. The Board shall consist of not less than one nor more than seven Directors. The Directors shall be elected each year at the annual meeting of the shareholders. A majority of the Board of Directors shall constitute a quorum for the transaction of business.

The officers of the Corporation shall consist of a President, a Chief Financial Officer and a Secretary. Each such officer shall hold office at the pleasure of the Board of Directors or until resignation. The bylaws also provide that the Board of Directors may appoint such other officers, assistant officers and agents with powers and duties as it shall deem necessary.

At December 31, 2007, the Board of Directors and Officers were as follows:

<u>Directors</u>	<u>Principal Occupation</u>
Leonard L. Edloe, M.D.	Physician Richmond, Virginia
Sheryl L. Garland	Vice President – Clinical Enterprise Administration VCU Health System Richmond, Virginia
Susan G. Kornstein	Professor of Psychiatry VCU Health System Richmond, Virginia
James S. Parrot	Chief Executive Officer Virginia Premier Health Plan, Inc. Richmond, Virginia
Dominic J. Puleo	Chief Financial Officer VCU Health System Richmond, Virginia
Sheldon M. Retchin, M.D.	Chief Executive Officer VCU Health System Richmond, Virginia

Officers

Sheldon M. Retchin, MD

James S. Parrot

Sheryl L. Garland

Dominic J. Puleo

President

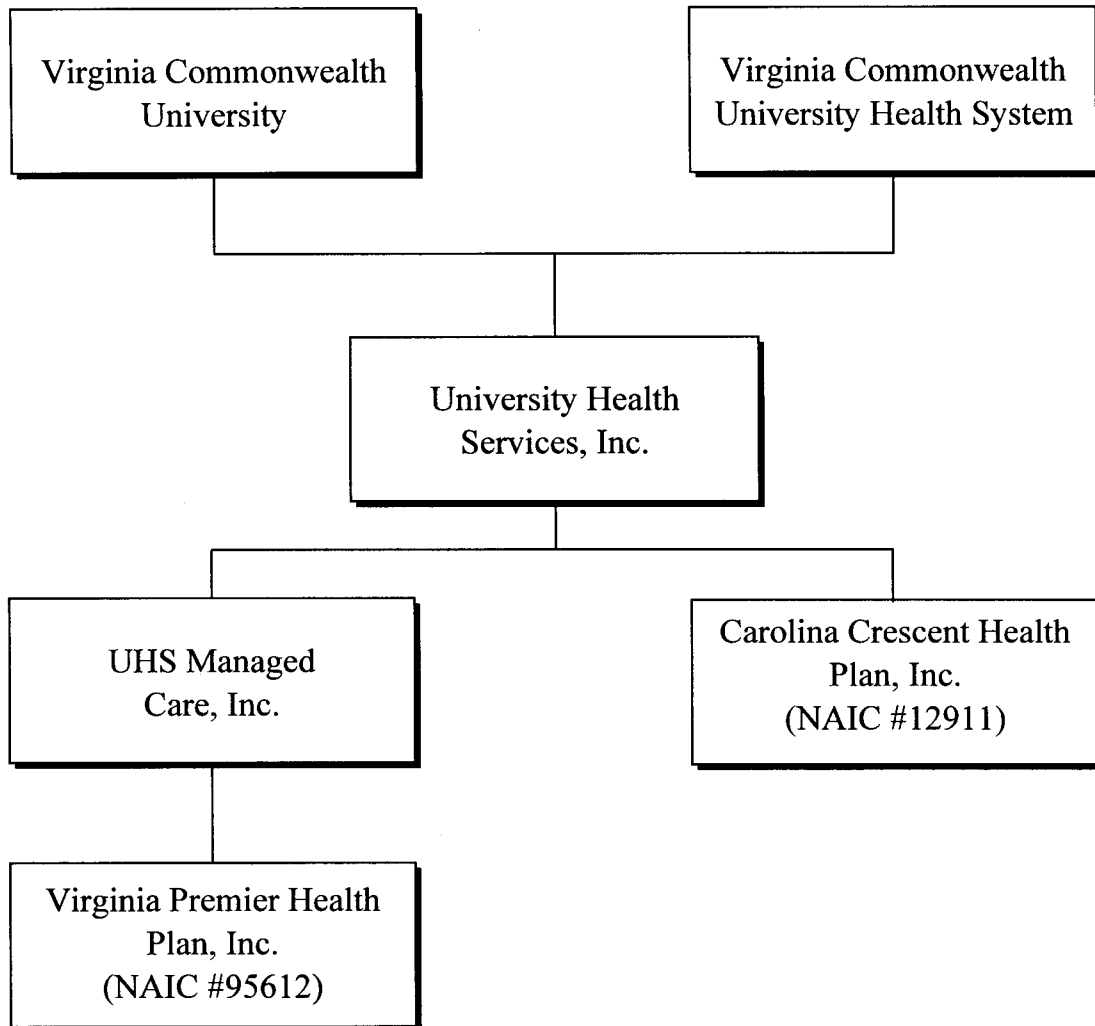
Chief Executive Officer

Secretary

Treasurer & Chief Financial Officer

AFFILIATED COMPANIES

At December 31, 2007, the Corporation is a wholly owned subsidiary of UHS. The following chart illustrates the organizational structure of the Corporation and its affiliated entities at December 31, 2007:



TRANSACTIONS WITH AFFILIATES

Administrative Service Agreement

Effective January 1, 2002, the Corporation entered into an Administrative Service Agreement with VCU Health System. Pursuant to the agreement, the Corporation and VCU Health System shall perform certain administrative services for each other to include executive management reporting, treasury management services, information system services and regulatory and financial management. For these services, the Corporation and VCU Health System shall reimburse each other all direct costs and indirect allocable costs incurred. The agreement shall remain in effect unless terminated for cause by the Corporation with immediate effect or until terminated by either party upon thirty days written notice. The Corporation and VCU Health System charged \$335,989 and \$3,122,778 in fees, respectively, related to this agreement during 2007.

Tax Allocation Agreement

Effective June 11, 2003, the Corporation entered into a Tax Allocation Agreement with UHS whereby both will be included in a consolidated federal and consolidated Virginia income tax return. The Corporation's federal and Virginia income tax liability or refund is determined as if it was filing its own separate federal and Virginia income tax return. If the Corporation's tax benefits (i.e. losses, deductions or credits) are used to reduce the consolidated federal or Virginia income tax liability, UHS will pay the Corporation the amount equal to the reduction in the consolidated federal and Virginia income tax liability. If the Corporation's tax liability is used to increase the consolidated federal or Virginia tax liability, the Corporation will pay UHS the amount equal to the increase in the consolidated federal or Virginia income tax liability.

Dividends

The Corporation paid a cash dividend of \$1,000,000 to UHS on April 20, 2007.

CONFLICT OF INTEREST

The Corporation has adopted a conflict of interest policy. The objective of this policy is to ensure that each director, officer, and employee faithfully serve the Corporation and refrain from doing anything which is adverse or prejudicial to the Corporation's interest. To ensure compliance with the policies, the Corporation has established procedures which require directors, officers and certain employees to sign a conflict of interest disclosure form annually.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2007, the Corporation was listed as a named insured on a commercial crime policy with a \$4,000,000 limit of liability, subject to a \$75,000 deductible, to insure against losses arising from dishonest acts of its officers and employees. Additionally, the Corporation was listed as a named insured on a commercial package insurance policy, a commercial general liability policy, a commercial business automobile policy, a workers' compensation and employers liability policy, and an umbrella liability policy.

TERRITORY AND PLAN OF OPERATION

At December 31, 2007, the Corporation's service area, as reported in its 2007 Annual Statement, included the Virginia towns and cities of Alexandria, Arlington, Buena Vista, Charlottesville, Chesapeake, Clifton Forge, Colonial Heights, Danville, Emporia, Fairfax, Falls Church, Franklin, Fredericksburg, Hampton, Harrisonburg, Hopewell, Lexington, Lynchburg, Manassas, Manassas Park, Martinsville, Newport News, Norfolk, Norton, Petersburg, Poquoson, Portsmouth, Radford, Richmond, Roanoke, Salem, South Boston, Staunton, Suffolk, Virginia Beach, Waynesboro, Winchester and Williamsburg and the Virginia counties of Accomack, Albemarle, Alleghany, Amelia, Amherst, Appomattox, Augusta, Bath, Bedford, Botetourt, Brunswick, Buchanan, Buckingham, Campbell, Caroline, Carroll, Charles City, Charlotte, Chesterfield, Clarke, Craig, Culpeper, Cumberland, Dickenson, Dinwiddie, Essex, Fairfax, Fauquier, Floyd, Fluvanna, Franklin, Frederick, Giles, Gloucester, Goochland, Greene, Greenville, Halifax, Hanover, Henrico, Henry, Highland, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Lee, Loudoun, Louisa, Lunenburg, Madison, Mecklenburg, Middlesex, Montgomery, Nelson, New Kent, Northampton, Northumberland, Nottoway, Orange, Page, Patrick, Pittsylvania, Powhatan, Prince Edward, Prince George, Prince William, Pulaski, Rappahannock, Roanoke, Rockbridge, Rockingham, Russell, Scott, Shenandoah, Smyth, Southampton, Spotsylvania, Stafford, Surry, Sussex, Tazewell, Warren, Washington, Westmoreland, Wise and Wythe.

Physician services are provided by physicians in independent practice in the Corporation's service area. Each member selects a Primary Care Physician ("PCP") from the list of the Corporation's primary providers. The PCP is the coordinator for all of the member's health care needs. All specialty services and all hospital admissions and outpatient surgery require a prior written referral (except in emergencies) from a PCP.

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES AGREEMENT

At December 31, 2007, the Corporation has a prepaid Medicaid agreement with the Department of Medical Assistance Services ("DMAS"). DMAS is an agency of the Commonwealth of Virginia that administers the State Plan for Medicaid Assistance. Pursuant to this agreement, the Corporation is responsible for directly providing, arranging, purchasing, or otherwise making available the full scope of services to which persons are entitled under the State Plan for Medicaid Assistance.

As compensation for these services, DMAS shall pay the Corporation a monthly capitation fee for each Medicaid recipient enrolled in the Corporation. The monthly capitation payment is based on the number, the age, and the sex of the Medicaid recipient. The agreement with DMAS accounts for 100% of the Corporation's enrollment at December 31, 2007.

PROVIDER AGREEMENTS

Medical Services

The Corporation has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to members. The Corporation compensates physicians either on a capitated basis or a fee-for-service arrangement. Specialist physicians are compensated on a fee-for-service basis in accordance with the Corporation's fee schedule for the particular covered service.

Hospital Care

The Corporation has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its members. Charges for services rendered are in accordance with compensation schedules attached to each individual agreement.

Other Health Care Services

The Corporation has entered into various ancillary service agreements. These agreements provide home health care services, pharmacy services, laboratory services, durable medical equipment and other related covered health care services. Compensation is based on arrangements set forth in each agreement.

BENEFITS

The general benefits available to the Corporation's Medicaid enrollees when provided by PCPs, specialist physicians and other professional providers and approved by the Corporation are as follows:

1. Inpatient Hospital Services
2. Outpatient Medical Care
3. Physician Services
4. Maternity Care
5. Maternal and Infant Care Coordination
6. Women's Wellness Program
7. Well Child Program
8. Rehabilitation Services
9. Home Health Services
10. Family Planning
11. Vision Care
12. Mental Health Services
13. Disease Management
14. Prescription Drugs
15. Durable Medical and Prosthetic Devices
16. Transportation Services
17. Health Education Programs

Exclusions generally consist of services obtained without prior written referral by the member's PCP; inpatient care in a long-term care institution; chiropractic services; experimental or investigational procedures; private duty nursing; and substance abuse services. The above are general summaries of coverages and exclusions and are not intended to be all inclusive.

GROWTH OF THE CORPORATION

The following data represents the growth of the Corporation since its inception. The data is compiled from the Corporation's filed Annual Statements, the previous examination report, and the current examination report.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital And Surplus</u>
1998	\$6,396,051	\$5,684,468	\$711,583
1999	9,005,620	6,419,635	2,585,985
2000	12,194,465	8,010,213	4,184,252
2001	8,553,295	13,820,249	(5,266,954)
2002	36,421,140	24,607,211	11,813,929
2003	48,458,068	32,319,814	16,138,254
2004	60,358,072	35,505,496	24,852,576
2005	68,732,830	35,297,476	33,435,354
2006	83,460,175	36,799,205	46,660,970
2007	88,059,190	48,318,193	39,740,997

<u>Year</u>	<u>Total Revenue</u>	<u>Net Investment Gain</u>	<u>Medical & Hospital Expenses</u>	<u>Administrative Expenses</u>	<u>Pre-Tax Income (Loss)</u>
1998	\$26,454,697		\$24,115,827	\$6,219,096	(\$3,880,226)
1999	42,849,603		38,430,824	6,103,544	(1,684,765)
2000	55,043,146		48,428,474	6,534,710	79,962
2001 *	77,058,029	387,792	68,495,576	7,737,472	1,212,773
2002	175,761,563	492,255	158,780,378	11,054,740	6,418,700
2003	207,070,482	856,367	188,532,647	13,350,767	6,043,435
2004	249,100,548	818,888	217,366,476	18,496,022	14,056,938
2005	292,714,722	1,925,201	249,047,012	26,725,755	18,867,156
2006	335,171,662	3,759,365	282,246,391	33,446,306	23,238,330
2007	363,010,712	4,197,989	339,584,097	32,063,197	(4,438,593)

*Prior to 2001, Net investment gains or losses were included in Total Revenue.

The Corporation's enrollment data at year-end is illustrated as follows:

<u>Year</u>	<u>Number of Members</u>
1998	14,302
1999	23,684
2000	28,260
2001	65,923
2002	67,616
2003	78,612
2004	89,515
2005	102,926
2006	109,603
2007	122,727

EXCESS LOSS INSURANCE

At December 31, 2007, the Corporation had an Excess Risk Agreement in force with ING Reinsurance ("ING"). Under the terms of the agreement, the deductible is \$250,000 per member per agreement year. Once the deductible has been reached, ING will indemnify the Corporation in the following manner:

- a) 90% of eligible inpatient hospital services;
- b) 90% of eligible inpatient hospital services related to organ and bone marrow transplants if performed under a ING-approved transplant contract;
- c) 60% of eligible inpatient hospital services related to organ and bone marrow transplants if performed under any other transplant contract.

The maximum insurance coverage payable under the agreement for eligible inpatient hospital services during any agreement year for each member shall be \$2,000,000. The maximum lifetime insurance coverage payable under this agreement for eligible inpatient hospital services for each member shall be \$2,000,000.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2007, the Bureau required that the Corporation maintain a \$586,190 minimum deposit with the Treasurer of Virginia.

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2005 through December 31, 2007. Assets were verified and liabilities were established at December 31, 2007. A review of income and disbursements for the period was made to the extent deemed necessary.

The items comprising the Balance Sheet for which Specific Risk Analyses (SRA) were required had medium or low risk assessments as determined from the National Association of Insurance Commissioners Examiners Handbook. Analytical review procedures were applied for non-SRA items.

In addition, the following items were reviewed, several of which are discussed separately under their respective captions in this report.

History
Corporate Records
Management and Control
Territory and Plan of Operation
Conflict of Interest
Fidelity Bond and Other Insurance
Provider Agreements
Benefits
Special Reserves and Deposits
Accounts and Records
Financial Statements

FINANCIAL STATEMENTS

There follows a statement of financial condition as of December 31, 2007, a statement of revenue and expenses for the year ending December 31, 2007, a reconciliation of capital and surplus for the period under review, a statement of cash flow for the year ending December 31, 2007, and a statement of Examiners' changes in capital and surplus at December 31, 2007. The financial statements are presented in accordance with Statutory Accounting Principles.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Properties occupied for the production of income	\$303,075		\$303,075
Cash and short-term investments	78,428,393		78,428,393
Aggregate write-ins for invested assets	<u>1,700,758</u>	<u>777,907</u>	<u>922,851</u>
Subtotals, cash and invested assets	\$80,432,226	\$777,907	\$79,654,319
Investment income due and accrued	877,906		877,906
Uncollected premiums and agents' balances in the course of collection	1,482,296		1,482,296
Amounts recoverable from reinsurers	109,800		109,800
Current federal income tax recoverable and interest thereon	2,573,618		2,573,618
Net deferred tax asset	1,610,068		1,610,068
Electronic data processing equipment and software	863,777	85,769	778,008
Furniture and equipment, including health care delivery assets	1,187,995	1,187,995	0
Receivables from parent, subsidiaries and affiliates	139,111		139,111
Health care and other amounts receivable	<u>2,909,580</u>	<u>2,075,516</u>	<u>834,064</u>
Total assets	<u>\$92,186,377</u>	<u>\$4,127,187</u>	<u>\$88,059,190</u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$39,708,898	\$2,488,344	\$42,197,242
Unpaid claims adjustment expenses	1,225,958	92,276	1,318,234
General expenses due or accrued		2,803,418	2,803,418
Amounts due to parent, subsidiaries and affiliates		761,461	761,461
Aggregate write-ins for other liabilities		1,237,838	1,237,838
Total liabilities	<u>\$40,934,856</u>	<u>\$7,383,337</u>	<u>\$48,318,193</u>
Common capital stock			\$8,640
Preferred capital stock			1,360
Gross paid in and contributed surplus			9,261,977
Unassigned funds (surplus)			<u>30,469,020</u>
Total capital and surplus			<u>\$39,740,997</u>
Total liabilities, capital and surplus			<u><u>\$88,059,190</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	<u>XXX</u>	<u>\$363,010,712</u>
Total revenues	<u>XXX</u>	<u>\$363,010,712</u>
Hospital and Medical		
Hospital/medical benefits	\$9,696,925	\$171,838,074
Other professional services	5,899,046	66,496,550
Outside referrals	8,457,519	8,457,519
Emergency room and out-of-area	352,529	23,546,399
Prescription drugs	<u>0</u>	<u>69,844,355</u>
Subtotal	\$24,406,019	\$340,182,897
Less:		
Net reinsurance recoveries	<u></u>	<u>598,800</u>
Total hospital and medical	\$24,406,019	\$339,584,097
Claims adjustment expenses		115,721
General administrative expenses	<u></u>	<u>31,947,476</u>
Total underwriting deductions	<u>\$24,406,019</u>	<u>\$371,647,294</u>
Net underwriting loss	<u>XXX</u>	<u>(\$8,636,582)</u>
Net investment income earned		<u>\$4,197,989</u>
Net investment gains		<u>\$4,197,989</u>
Net income before federal income taxes	XXX	(\$4,438,593)
Federal income taxes incurred	<u>XXX</u>	<u>(20,764)</u>
Net loss	<u>XXX</u>	<u>(\$4,417,829)</u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Capital and surplus prior reporting year	<u>\$24,852,576</u>	<u>\$33,435,354</u>	<u>\$46,660,970</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS			
Net income	\$11,922,991	\$13,818,300	(\$4,417,829)
Change in net deferred income tax		726,242	883,826
Change in nonadmitted assets	(340,213)	16,481	(2,385,970)
Change in surplus notes	(3,000,000)	(1,335,407)	
Dividends to stockholders	<u> </u>	<u> </u>	<u>(1,000,000)</u>
Net change in capital and surplus	<u>\$8,582,778</u>	<u>\$13,225,616</u>	<u>(\$6,919,973)</u>
Capital and surplus end of reporting year	<u><u>\$33,435,354</u></u>	<u><u>\$46,660,970</u></u>	<u><u>\$39,740,997</u></u>

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$356,273,505
Net investment income	<u>3,598,309</u>
Total	<u>\$359,871,814</u>
Benefit and loss related payments	\$323,989,562
Commissions, expenses paid and aggregate write-ins for deductions	<u>32,772,916</u>
Federal income taxes paid	<u>2,500,000</u>
Total	<u>\$359,262,478</u>
Net cash from operations	<u>\$609,336</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:	
Bonds	<u>\$4,000,000</u>
Total investment proceeds	<u>\$4,000,000</u>
Net cash from investments	<u>\$4,000,000</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):	
Dividends to stockholders	(\$1,000,000)
Other cash applied	<u>(1,039,804)</u>
Net cash from financing and miscellaneous sources	<u>(\$2,039,804)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	\$2,569,532
Cash and short-term investments:	
Beginning of the year	<u>75,858,861</u>
End of the year	<u>\$78,428,393</u>

EXAMINERS' CHANGES IN CAPITAL AND SURPLUS

	<u>Corporation</u>	<u>Examiners</u>	Increase (Decrease)
<u>Liabilities:</u>			
Claims unpaid	\$40,347,778	\$42,197,242	<u>(\$1,849,464)</u>
Examiners' change in capital and surplus			<u>(\$1,849,464)</u>
Total capital and surplus per the Corporation			\$41,590,461
Total capital and surplus per the Examiners			<u>39,740,997</u>
Net change in capital and surplus			<u>(\$1,849,464)</u>

RECOMMENDATION FOR CORRECTIVE ACTION**Accounts and Records**1. **Claims Unpaid****\$42,197,242**

The above liability is \$1,849,464 more than the amount reported by the Corporation in its 2007 Annual Statement. The Examiners' increase results from a development of losses paid during the period January 1, 2008 through December 31, 2008 on claims incurred December 31, 2007 and prior. The Corporation should review its methodologies to ensure sufficient loss reserves are established in future filings with the Bureau.

CONCLUSION

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Cliff Lewis, CFE, and Milton Parker participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink that reads "Kenneth G. Campbell". The signature is written in a cursive style with a large, stylized "K" and "C".

Kenneth G. Campbell, CFE
Assistant Chief Examiner



April 29, 2009

**David H. Smith, CFE, CPA, CPCU
Chief Examiner
State Corporation Commission
Bureau of Insurance
P O Box 1157
Richmond, Virginia 23218**

Re: Response to Examination Report

Dear Mr Smith:

Please find attached Virginia Premier Health Plan's response to the Bureau of Insurance's recommendations for corrective action included in the Examination report for the period ending December 31, 2007.

Please feel free to contact Tim Carpenter if you should have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'James S. Parrott', is written over a faint, larger version of the same signature.

**James S. Parrott
Chief Executive Officer**

Virginia Premier Health Plan, Inc.

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www.virginiapremier.com



VIRGINIA PREMIER HEALTH PLAN, INC
RESPONSE TO BOI EXAMINATION REPORT
AS OF DECEMBER 31, 2007

1. ACCOUNTS and RECORDS

Virginia Premier Health Plan has implemented a new process to more thoroughly examine our IBNR reserves on a monthly basis. We are also utilizing the services of a actuarial consultant to aid in this process. Our monthly lag data is shared with the actuary to better estimate our monthly accruals. The actuary provides VPHP with a predictive model based on our latest historical data for trends and other gauges to best estimate our monthly IBNR requirements.

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